

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, September 26, 2003

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
John Brown
Theron Fisher
Rick Gale
Kathleen Kreul
Irena Macek
Wayne McCaffery
Nancy Thompson
Cynthia Van Bogaert
John Vincent (*representing Karen Timberlake*)

BOARD NOT PRESENT:

Wayne Koessl, Vice-Chair
Robert Niendorf, Secretary

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Mills, Deputy Secretary
Julie Reneau, Administrator, Division of Retirement Services
Audrey Koehn, Disability Programs Bureau
Tom Korpady, Administrator, Division of Insurance Services
Christina Licari, Board Liaison
Linda Owen, Division of Retirement Services
Shelly Schueller, Office of the Secretary
Rob Weber, Chief Legal Counsel
Bob Willett, Controller

OTHERS PRESENT:

Mark Byce, Gabriel, Roeder, Smith & Company
Bill Ford, Legislative Council
Brian Fusie, Office of State Employment Relations
Charlotte Gibson, Department of Justice
Jane Hamblen, Department of Justice
Pam Henning, Department of Employee Trust Funds
Norm Jones, Gabriel, Roeder, Smith & Company
Peg Narloch, Department of Employee Trust Funds
Vicki Poole, Department of Employee Trust Funds

Marilyn Wigdahl, Chair, called the meeting to order at 8:30 a.m.

Mtg	Date	Item #
ETF	12/12/2003	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Ms. Thompson moved approval of the minutes of the June 20, 2003, meetings as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

APPOINTMENT TO EMPLOYEE TRUST FUNDS BOARD

Ms. Reneau announced that the Wisconsin Retirement (WR) Board had appointed Rick Gale to fill the vacant WR Board member seat on the Employee Trust Funds (ETF) Board. Mr. Gale's term is effective immediately and expires May 1, 2005.

2004 MEETING DATES

Ms. Licari presented the 2004 meeting dates. She noted that dates were determined by the timing requirements of the quarterly Board meetings, executive staff availability and conference center and lodging availability. The dates for the 2004 meetings are:

Thursday, Friday	March 25 & 26, 2004
Thursday, Friday	June 17 & 18, 2004
Thursday, Friday	September 16 & 17, 2004
Thursday, Friday	December 9 & 10, 2004

RETIREMENT STATISTICS SUMMARY REPORT

(Included for the Board's information.) Ms. Schueller reviewed the *WRS Retirement Statistics Annuity Statistical Report* that was included in the Board packet.

ADMINISTRATIVE RULE

Final Language: Dividend Distribution. Ms. Owen presented proposed final language for the rule amendment regarding annuitant dividends. After careful consideration by Department of Employee Trust Funds (DETF) staff and the input of all three Boards at the June 2003 meetings, staff proposed final language that would amend the rule to return to the April 1 dividend effective date (May 1 payment date), the date on which dividends have historically been adjusted.

Motion: Mr. Gale moved to adopt the final rule language as recommended by DETF staff. Mr. Brown seconded the motion, which passed without objection on a voice vote.

Ms. Van Bogaert recused herself from this discussion and vote, as this topic pertained to rulemaking.

Draft Language: Medical Reports and Processes. Ms. Koehn presented proposed draft language for amendments to the administrative rule that defines the medical reports and processes under § 40.63 Disability Retirement and Wis. Administrative Code, Chap. ETF 50.40, Long-Term Disability Insurance.

Ms. Koehn discussed the need for clarification of the rule in response to the difficulty interpreting the existing rule and administering benefits in a fair and equitable manner. She noted that before final language would be developed for public hearing, additional research would be conducted and

input would be requested of the Board's counsel to ensure that revisions reflect the Board's past decisions and interpretations.

Motion: Mr. Brown moved to adopt the draft rule language as recommended by DETF staff. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

Ms. Van Bogaert recused herself from this discussion and vote, as this topic pertained to rulemaking.

LONG-TERM DISABILITY INSURANCE RATES REPORT

Mr. Korpady discussed the *Long-Term Disability Insurance Rates Report*, which was submitted to the Board for review. He noted that due to continued high reserve levels and favorable experience in the program, the Department's actuary has recommended continuing the premium holiday through 2004. Mr. Korpady noted that the item only required action if the Board did not agree to accept the premium holiday. He added that the Group Insurance Board has approved the continued holiday.

GROUP INSURANCE BOARD UPDATE

Mr. Korpady announced that the Group Insurance Board made several significant changes to the group health insurance program effective January 1, 2004. He explained that a three-tier system was approved for the group health plans for state employees, a Pharmacy Benefit Manager will be utilized to administer pharmacy benefits for all participants (with a single, unified formulary), significant changes were made to Standard Plan I and Standard Plan II (shifting both plans into one Standard Plan that is structured as a Preferred Provider Program) and that changes were also made to the State Maintenance Plan. Mr. Korpady also reported that there would be rate reductions for some age categories for the State Group Life Insurance program for 2004 and that the Income Continuation Insurance program will be changing to a monthly pay cycle, rather than biweekly.

Secretary Stanchfield added that the Department is currently working to implement these significant changes and that an increased workload is expected as implementation occurs and as members contact the Department to inquire about the changes.

WISCONSIN RETIREMENT SYSTEM GAIN/LOSS ANALYSIS OF EXPERIENCE AMONG ACTIVE MEMBERS DURING CALENDAR YEAR 2002

Ms. Reneau introduced Norm Jones of Gabriel, Roeder, Smith & Company (GRS); actuary for the DETF. Mr. Jones reviewed the report, *Wisconsin Retirement System Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2002*.

Motion: Mr. Vincent moved acceptance of the WRS Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2002. Ms. Van Bogaert seconded the motion, which carried without objection on a voice vote.

REPORT ON ACCUMULATED SICK LEAVE CONVERSION CREDIT (ASLCC) PROGRAMS

Norm Jones of Gabriel, Roeder, Smith & Company (GRS); actuary for the ETF Board, presented the *Accumulated Sick Leave Conversion Credit Programs Supplemental Actuarial Valuation in Relation to the Proposed Pension Obligation Bond – October 1, 2003*. Mr. Jones and Mr. Willett,

DETF Controller, discussed the proposal by the State of Wisconsin regarding the use of a Pension Obligation Bond to pay off unfunded actuarial liabilities. The liabilities for the ASLCC program have been recalculated to determine the State's portion.

Mr. Jones noted that the approach used for the calculation was proportional to the liabilities to preserve equity between the different employer groups. The approach was also consistent with how other systems have performed similar divisions of liabilities.

Motion: Mr. Gale moved to accept the Supplemental Actuarial Valuation in Relation to the Proposed Pension Obligation Bond for the Accumulated Sick Leave Conversion Credit Program, including the projected October 1, 2003, market value Unfunded Actuarial Accrued Liability and the allocation of this liability between state and other participating entities and to accept in principal the recommendations for adjusting the contribution rates and actuarial methods to preserve equity between the state and other participating entities and to delegate responsibility to staff and the actuary to make appropriate adjustments based on the actual amount and timing of payments received. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Andrea Steen Crawford Resolution.

Secretary Stanchfield announced the passing of Andrea Steen Crawford. Ms. Crawford was a State of Wisconsin Investment Board trustee. She died on Thursday, September 25 at the age of 40.

Motion: Ms. Thompson moved approval of a resolution in honor of Andrea Steen Crawford to be signed by the Board chair and forwarded to Ms. Crawford's family. Mr. Brown seconded the motion, which passed without objection on a voice vote.

Pending Appeals Status Report. (Included for the Board's information.) Ms. Reneau presented an update on pending appeals, noting that the ETF Board currently has 79 pending appeals. The increase in the number of appeals is attributable to a number of appeals filed by a group of employees from a single employer.

Employee Reimbursement Account (ERA) Program Update. (Included for the Board's information.) Ms. Reneau presented an update on the ERA program. Effective January 1, 2004, the Department will assess each state agency an administrative fee of \$0.60 per state health insurance contract per month to cover administrative costs of the program. This is an increase from \$0.50 per contract in 2003. Ms. Reneau noted that the open enrollment period for the program is scheduled for October 6, 2003 through November 21, 2003. The enrollment period is two weeks longer than in previous years to allow employees to determine their medical and dependent care needs for the upcoming year.

Internal Audit Biennial Report. (Included for the Board's information.) Ms. Reneau reviewed the *Internal Audit Biennial Report of Audits and Advisory Services: July 1, 2002 – June 30, 2003* with Board members. The report summarizes audits conducted and other accomplishments of Internal Audit. Bob Schaefer, Director of Internal Audit, was available to answer questions.

Fact Sheets. (Included for the Board's Information.) Ms. Reneau noted that fact sheets for the Income Continuation Insurance and Group Life Insurance programs as well as an information

sheet on the Pharmacy Benefit Manager had been included for the Board's information. New or updated fact sheets are routinely distributed to Board members.

Senate Bill 260. Secretary Stanchfield, Deputy Secretary Mills and Ms. Reneau discussed the Department's concerns regarding SB 260 with Board members. The main areas of concern discussed were pension policy, investment policy and administrative costs. Deputy Secretary Mills noted that the Joint Survey Committee on Retirement Systems had postponed plans to hold a hearing on the issue, indicating a desire to research alternatives and possible amendments to the bill. Secretary Stanchfield recommended that the Department draft a letter of opposition to be approved and signed by the Board Chair as well as consider issuing a press release and communicating the Department's concerns to active employee groups, as the Department feels appropriate. He also noted that both the Teachers Retirement and Wisconsin Retirement Boards had moved to send letters of opposition regarding this issue.

Motion: Mr. Gale moved to authorize Department of Employee Trust Funds staff to write a letter on the Board's behalf opposing Senate Bill 260 and use any methods of communication deemed appropriate to officially oppose the bill. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

The Board took a break at 10:00 a.m.

MOTION TO CONVENE IN CLOSED SESSION

Ms. Wigdahl announced that the Employee Trust Funds Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85(a), (f) and (g) for quasi-judicial deliberations, to consider applications containing personal medical information and to confer with legal counsel. ETF and Office of State Employment Relations staff were invited to remain during consultation with legal counsel. Ms. Licari and Mr. Fusie were invited to remain during all parts of the closed session.

Motion: Ms. Kruel moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85(a), (f) and (g) for quasi-judicial deliberations, to consider annuity applications containing personal medical information and to confer with legal counsel. Mr. Fisher seconded the motion, which passed on a roll call vote.

Members voting aye: J. Brown, T. Fisher, R. Gale, K. Kreul, I. Macek, W. McCaffery, N. Thompson, J. Vincent, C. Van Bogaert, M. Wigdahl

Members voting nay: none

The Employee Trust Funds Board convened in closed session at 10:26 a.m. and reconvened in open session at 11:57 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Wigdahl announced that the Board took the following action during the closed session:

- The Board exercised its equity powers to rectify an inequity created by the change in annual earnings period for a participant.
- The Board consulted with legal counsel.

- **Appeal 99-120-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as discussed with counsel.
- **Appeal 99-083-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as discussed with counsel.
- **Appeal 2002-016-ETF.** The Board remanded the appeal to the hearing examiner for a hearing on due notice and timeliness of the appeal.
- **Appeal 2002-072-ETF.** The Board modified the hearing examiner's proposed decision to affirm the Department's determination.

Note: No retirement applications were presented for discussion.

ADJOURNMENT

Motion: Ms. Van Bogaert moved adjournment. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 12:00 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board